



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 26, 2010

Saudi Arabia's Oil Minister Ali al-Naimi said oil prices between \$70 to \$80/barrel are acceptable to all and added that the price range does not hamper world economic growth. He however said that \$70 and \$80/barrel was not a band or a formal target.

Qatar's Oil Minister Abdullah bin Hamad al Attiyah said OPEC is unlikely to change its crude oil production levels at its upcoming March meeting in Vienna. He said OPEC will change its output policy if prices remain at existing levels of around \$70/barrel.

A senior Iranian energy official said Iran has taken steps to protect its oil facilities against any

Market Watch

According to the Conference Board US consumer confidence increased for the third consecutive month in January. It said its index of consumer confidence increased to 55.9 in January from a revised level of 53.6 in December, which was originally reported at 52.9. The present situation index, a gauge of consumers' assessment of current economic conditions, increased almost five points to 25 from a revised 20.2, originally reported at 18.8. Consumer expectations for economic activity over the next six months increased to 76.5 from a revised 75.9, originally reported at 75.6.

The Congressional Budget Office said the federal government budget deficit will reach \$1.3 trillion in fiscal 2010, slightly less than the \$1.4 trillion it reported in fiscal 2009. It forecast that the deficit will reach \$980 billion in fiscal 2011. The unemployment rate is currently 10%. The CBO said the unemployment rate will average 9.5% throughout 2011. It forecast US GDP to increase by 2.1% in the 12 months to the fourth quarter of 2010 and by 2.4% in the year to the final quarter of 2011.

The International Monetary Fund said countries have emerged from the recession faster than expected but warned that managing post crisis growth is becoming complicated by the divergence between advanced and developing countries. It also said another risk is that rebounding commodity prices could hamper growth. The world economy is forecast to expand at a 3.9% pace instead of the previous 3.1% estimate. Global growth is expected to continue to increase in 2011, with the forecast increasing to 4.3% from 4.2%. It said growth in the US is expected to reach 2.7% in 2010 and 2.4% next year. The euro area is forecast to grow 1% this year and 1.6% in 2011.

Germany's Ifo think tank said its business climate index increased more than expected to 95.8 from a revised 94.6 in December.

Baker Hughes Inc chief executive Chad Deaton said he was encouraged by the rising North American rig count. He said oil directed drilling is expected to continue, if oil prices remain at current levels.

Venezuela's President Hugo Chavez acknowledged that his country needs investment from foreign oil companies. His remarks came ahead of Thursday's oil auction of its Carabobo oilfield. Venezuela is scheduled to auction seven oil blocks in the eastern Orinoco region.

PetroChina expanding international trading network will include the Middle East when it set up an energy trade desk in Dubai. It is also studying the option of either acquiring or building an oil terminal facility in the UAE.

API Stocks

Crude – down 2.225 million barrels
Distillate – down 1.978 million barrels
Gasoline – up 916,000 barrels
Refinery runs – up 0.3%, at 77.6%

military attack. Neither Israel nor the US have ruled out military action if diplomacy fails to resolve a standoff over Iran's nuclear activities. The Iranian official said that as an example, the necessary measures have been taken in the Arak and Bandar Abbas refineries so that any possible bombardment cannot damage the unit controls or other sensitive sections of the oil facilities.

Iran's Supreme leader Ayatollah Ali Khamenei said Iran will not succumb to "blackmail" by world powers. He also insisted that Iranians will continue to stand for their rights. His remarks come days before an end of January deadline given by Iran to world powers to accept its counter-proposal to a UN-brokered nuclear fuel deal. Meanwhile, Iran's chief nuclear negotiator Saeed Jalili's visit to Russia, which was expected to start on Tuesday, has been postponed. He was expected to hold talks with Russian President Dmitry Medvedev and Prime Minister Vladimir Putin during the visit.

Separately, China said there was still time to reach a diplomatic resolution to the standoff over Iran's nuclear program.

A top commander of Iran's Revolutionary Guards said the country's armed forces will reveal several missiles and weapons at the 31st anniversary of the Islamic revolution next month.

According to a report by MasterCard Advisors LLC, US gasoline demand fell by 0.4% or 38,000 bpd in the week ending January 22nd to 9.372 million bpd. Demand increased by 0.9% or 87,000 bpd on the year while the four week demand increased by 1.1% on the year. The US average retail price of gasoline fell to \$2.72/gallon, down 3 cents on the year.

Commodity markets were knocked lower this morning by the fears of additional Chinese monetary policy tightening. Five major Chinese banks confirmed this morning that they had received instructions from Chinese authorities to comply immediately with planned increase in reserves.

South Korea reported Tuesday that its recovery lost steam by the end of 2009 due to waning government spending, while British authorities reported that the British economy finally crept out of recession in the 4Q2009 growing by only 0.1%, much below market expectations.

Refinery News

The US Coast Guard said the Sabine Neches Waterway may open to limited ship traffic on Thursday, January 28th after a collision and an oil spill shut the waterway on Saturday, January 23rd. It said operators finished transferring crude from the 807 foot Eagle Otome tanker, which was bound for ExxonMobil's Beaumont refinery, late Monday. As of Tuesday, 14 inbound and 12 outbound ExxonMobil does not expect the incident to have an immediate impact to its operations. If necessary, it is prepared to bring in supplies to help the Beaumont refinery meet agreements. Separately, a major refiner said the tanker-barge collision that spilled oil at Port Arthur, Texas and shut the Sabine Neches Waterway is not expected to cause refiners to seek crude from the US SPR amid ample crude stockpiles, low refinery runs and the expected quick reopening of the waterway.

Motiva Enterprises LLC cut production at its 285,000 bpd Port Arthur, Texas refinery by 100,000 bpd following the closure on Saturday of the Sabine Neches Waterway. Separately, Motiva suffered a small fire at a crude distillation unit at its 220,000 bpd refinery in Norco, Louisiana on Friday. It is assessing the damage at the unit and added that it is too early to estimate the restart timing of the unit.

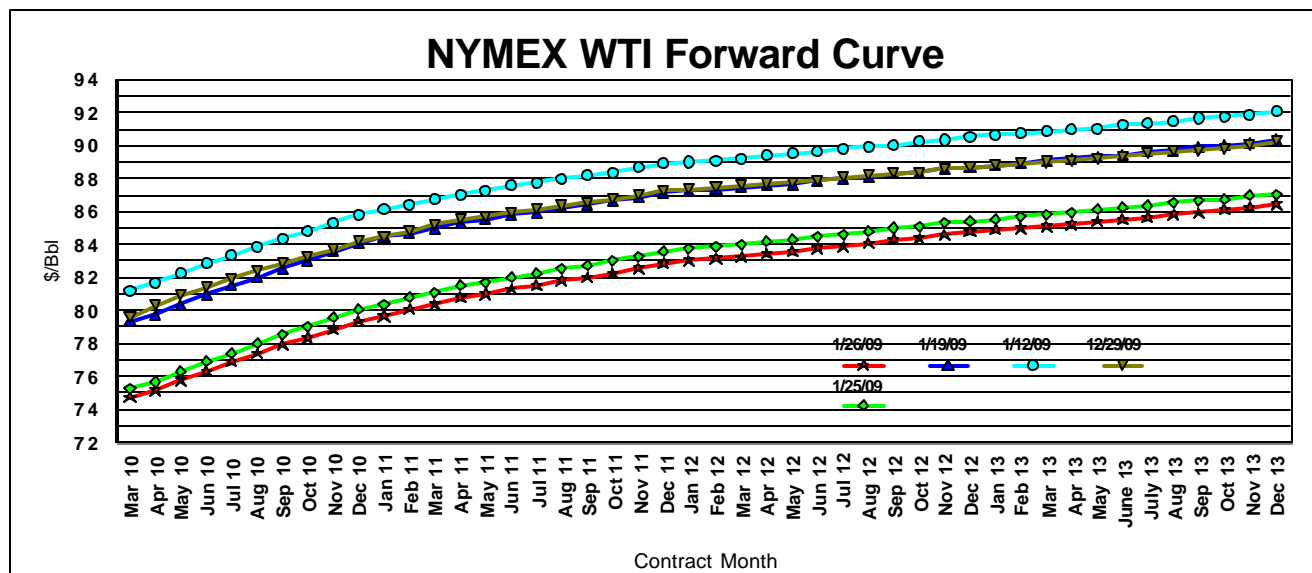
ExxonMobil Corp reported a flaring event at its 149,500 bpd Torrance, California refinery, indicating that the cause was related to a unit breakdown. A source identified the unit as a hydrotreater.

BP Plc reported that flaring planned for this week at its 265,000 bpd Carson, California refinery will not be caused by a process unit shutdown.

January Calendar Averages
CL – \$79.35
HO – \$2.0886
RB – \$2.0687

ConocoPhillips is completing planned work on a 145,000 bpd fluid catalytic cracking unit at its 263,000 bpd Bayway refinery in Linden, New Jersey. It is preparing to restart the unit after it was shut for about three week starting on January 7th.

Hess Corp will start turnaround maintenance on a 70,000 bpd fluid catalytic cracking unit at its Port



Reading, New Jersey refinery in April. The unit is expected to be out of service for about one month.

Russia's Energy Ministry reported that the country's oil refining runs in December fell by 1.1% on the month but increased by 5.8% on the year to 4.82 million bpd. Russian oil production fell to 10.05 million bpd in December 2009, down 0.2% on the month while exports via Transneft increased by 3.7% to 4.28 million bpd. Russia's gasoline production fell by 1.9% on the month and by 2% on the year. It reported that Russian refineries produced 191,500 tons/day of gas oil, down 1.7% on the month. Fuel oil production increased to 190,600 tons/day, up 1.5% from 187,800 tons/day in November.

The French government is ready to pressure Total SA to prevent it from shutting down a refinery in northern France that would lead to hundreds of job losses. Total announced in December that it was considering shutting down its refinery in Flanders, which employs 370 people directly and 450 subcontractors. Workers at the Flanders refinery went on strike on January 12th to protest the planned closure.

Taiwan's CPC Corp has issued a tender to buy sweet crude oil for March loading or April arrival.

According to traders and shipping brokers, a total of 2.52 million tons of Western fuel oil is scheduled to arrive in Asia in March, down from 3.025 million tons in February.

Production News

Mexico reopened its Dos Bocas oil terminal on Tuesday after it was closed for nearly two days due to bad weather conditions.

Abu Dhabi National Oil Co will supply Murban crude at 10% below contracted volumes in March. It plans to supply Lower Zakum and Umm Shaif at 10% below contracted volumes as well while it supplies Upper Zakum at 15% below contracted volumes.

Angola's Sonangol finalized an agreement with Iraq to develop the Qaiyarah and Najmah oil fields in northern Iraq. Angola pledged to increase production from the Qaiyarah oil field, which has 800 million barrels in reserves, to 120,000 bpd and from the Najmah oil field, which has 900 million barrels in reserves, to 110,000 bpd at a fee of \$5 and \$6/barrel, respectively.

Iraq's 2010 budget set the expected average oil exports at 2.15 million bpd and the expected average oil price at \$62.50/barrel.

Venezuela's PDVSA signed a joint venture oil deal with Italy's ENI to develop the Junin 5 block in the eastern Orinoco region. The block will involve about \$18 billion in investment and could produce 75,000 bpd of crude by 2013 and reach a peak of 240,000 bpd in 2016.

Kazakhstan's KazMunaiGas Exploration Production said its 2009 oil production fell 3.8% on the year to 11.5 million tons or 232,000 bpd.

Ecuador's Petroecuador exported 83.47 million barrels of crude oil in 2009, up 8% from 77.48 million barrels a year earlier. Exports of Oriente crude totaled 61.51 million barrels while exports of Napo crude totaled 21.96 million barrels. In December, Petroecuador exported 8.94 million barrels of crude, up 56% from 5.73 million barrels in November.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.05/barrel to \$71.97/barrel on Monday from \$73.02/barrel on Friday.

Kazakhstan threatened to annul oil and gas contracts to implement new tax legislation to natural resources projects. Last week, President Nursultan Nazarbayev told his government to ensure that all the country's natural resources companies pay taxes in accordance with current tax legislation and not the taxes that were in effect when the contracts were signed. Projects such as the Chevron-led Tengiz oilfield and Karachaganak and Kashagan would be affected as a result.

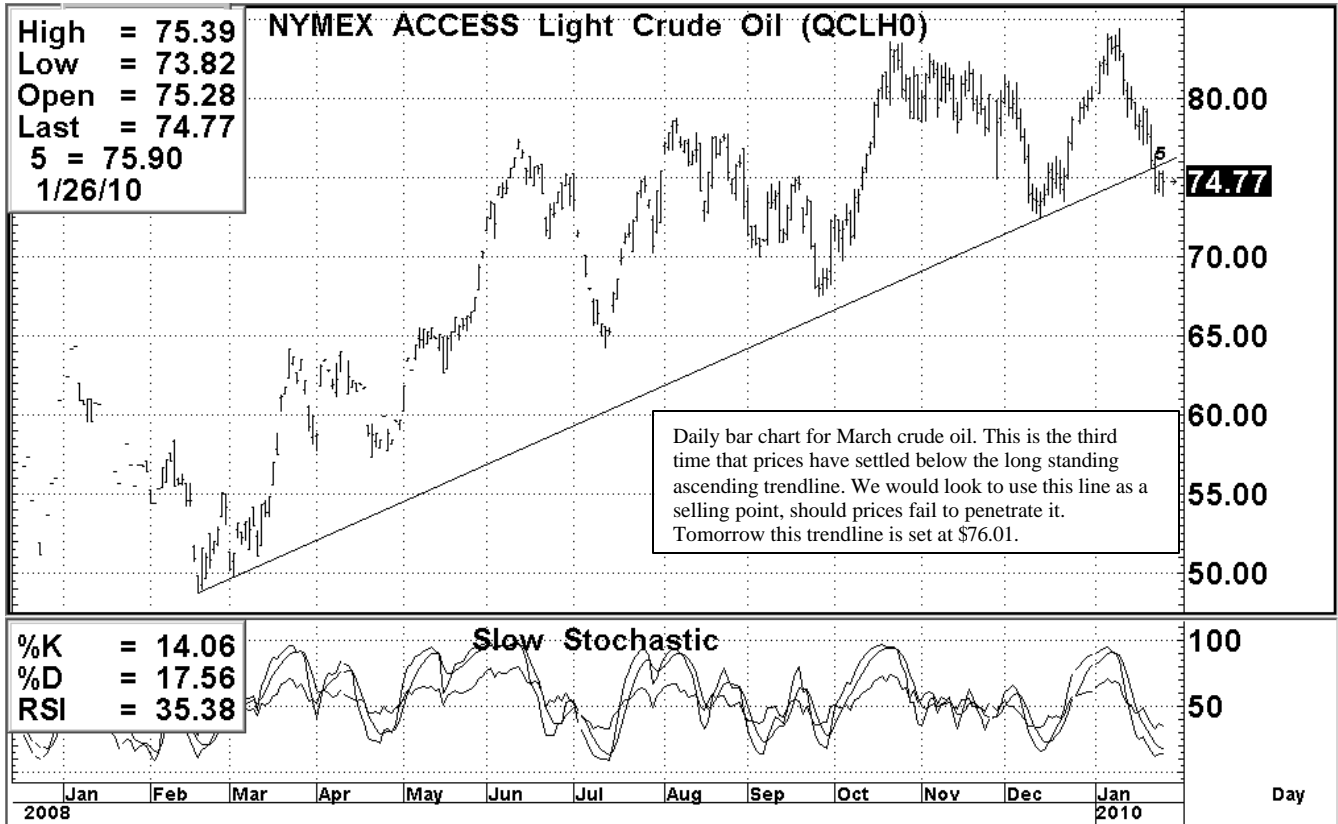
Market Commentary

With supplies abundant and the lack of need to bump up refinery runs due to low demand, the spill in the Houston Ship Channel did little to affect prices. The strength in the dollar and expectations of inventory builds also contributed to the sell-off in energies as commodities lost their appeal as an investment hedge. Losses were cut after the release of a report that indicated U.S. consumer confidence was at a 16-month high in January. One cannot deny the true fundamentals of this market, believing that eventually they will overtake investor interest. There is still no concrete proof that a solid economic recovery is underway, supplies are ample across the board and China, one of the biggest supporting factors in this market, has been trying to curb economic growth within its own country. Based on the aforementioned, our bias remains to the downside but we would not however discount intermittent moves higher. The March crude oil contract traded in an outside fashion, having achieved a higher high and a lower low than that of the previous session. This type of trading session, followed by a lower settlement typically means lower prices are to follow. We would look to sell failed attempts to take out the \$75.40 area.

Crude oil MAR.10 359,909 +1,758 APR 129,896 -954 May 77,442 +5,610 Totals 1,318,435 +7,125
 Heating oil FEB 10 33,934 -5,447 MAR.10 91,552 +4,018 APR10 35,330 -47 Totals: 315,246 +186
 Gasoline FEB.10 24,765 -6,964 MAR. 10 94,878 +3,354 APR10 41,163 +892 Totals: 270,331 -1,709

The API reported an unexpected draw in crude stocks of 2.225 million barrels, with a draw of 3.113 million barrels in Padd 3. It reported the draw in crude stocks as crude runs increased by 146,000 bpd to 13.507 million bpd. It also reported that crude imports fell by 1.487 million bpd to 8.313 million bpd on the week. The API reported a larger than expected draw in distillate stocks of 1.978 million barrels on the week. Distillate stocks are up 14% on the year. It reported the draw in distillate stocks as apparent demand increased by 3.9% on the week to 4.469 million bpd while apparent demand basis its three week moving average increased by 3.6% to 4.119 million bpd. It however reported that distillate production increased by 146,000 bpd or 4.2% on the week to 3.655 million bpd and imports increased by 221,000 bpd or 71.3% to 531,000 bpd. Meanwhile gasoline stocks built by 916,000 barrels on the week as apparent demand fell by 1% to 8.859 million bpd. However apparent demand basis its three week moving average increased by 1.2% to 8.634 million bpd. The API also reported the build despite the fall in production of 45,000 bpd or 0.5% on the week to 8.921 million bpd and fall in imports of 5,000 bpd or 6.8% to 69,000 bpd.

Crude Support Based on February	Crude Resistance Based on Feb
73.50, 72.91, 72.60, 70.42, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	76.50, 79.25-50, 81.00, 82.00, 84.83, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
1.8570, 1.8280, 1.7670, 1.7565	2.2270, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.7900, 1.7200 1.6600	2.1930, 2.2270, 2.3350,



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